FDI in tea plantation sector

∗504. SHRI KARNENDU BHATTACHARJEE:†
SHRI V.V. RAGHAVAN:

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether Government's attention has been drawn to the news-item captioned "Government may allow FDI in tea plantations" which appeared in the Business Standard dated the 5th April, 2002;

(b) if so, the details thereof and the reasons for allowing FDI in tea plantations;

(c) whether Government arc aware that this step would open the floodgates for Multinational Tea Companies to enter the Indian market in a big way adversely affecting the Indian Companies; and

(d) if so, the steps proposed to be taken in this regard?

THE MINISTER OF COMMERCE AND INDUSTRY (SHRI MURASOLI MARAN): (a) to (d) A Statement is laid on the Table of the House.

Statement

(a) Yes, Sir.

(b) to (d) Government has constituted a Group of Ministers (GoM) on FDI to review the existing sectoral policies including equity caps, and suggest necessary changes wherever desirable. Accordingly, the GoM has been reviewing the FDI Policy in various sectors, including plantations, on an ongoing basis. While reviewing sectoral policies, all relevant factors, including their impact on domestic industries arc taken into consideration. As per the extant policy, FDI is not permitted in plantations, including tea plantations.

†The question was actually asked on the floor of the House by Shri Karnendu Bhattacharjee.

SHRI KARNENDU BHATTACHARJEE: Sir, the reasons for throwing open the tea plantation sector to FDI have not been adequately explained by the Minister. If we could do without opening up the other plantation sector, like coffee and rubber, to FDI, wc might as well have done it. This is my first point. I want a reply to my first point.

SHRI MURASOLI MARAN: Sir, only tea plantations arc considered now. It went to the Cabinet twice. It was deferred. It is under consideration now.

SHRI KARNENDU BHATTACHARJEE: My second supplementary is this. There arc a number of multinational companies in the tea sector, which would enter the domestic market and which might acquire a direct interest even in the existing tea gardens, which means, our labour force in the factories or even in the tea gardens will be wiped out. So, what steps docs the Government propose to take to safeguard the large-scale unemployment? Also, our domestic companies would go into production because they would not be able to compete with the well-established multinational companies. Has the Government thought of any measures to safeguard their interests? I want a pointed reply from the Minister.

SHRI MURASOLI MARAN: Sir, we know that tea is one of the important sectors of our economy. The exports are now shrinking. We are doing our best to increase the exports.

Regarding the multinational companies, they arc already there. It is not a new thing. What wc want to have is fresh investment. All the tea gardens in India need rejuvenation. They should be replanted. Under the present set-up, wc do not have enough capital. That is why we thought of injecting Foreign Direct Investment to help us all.

SHRI V.V. RAGHAVAN: Mr. Chairman, Sir, the existing policy is not to allow, not to permit. FDI in plantations, especially, in tea gardens. You are going to change and it is under consideration. The argument put forward by the Group of Ministers headed by our hon. Finance Minister is that the plantations were, prior to Independence, owned by the foreigners and, therefore, if they arc again permitted to invest in these gardens, then the problems faced by these plantations can be solved. This is the first argument. But the truth is that the

problems faced by all the plantations, tea, rubber, coffee, etc., arc the result of the present Exim Policy of the Government. Tea is being imported. Rubber is being imported. This liberalised import policy is the main cause for the problems being faced by the plantations. Our economic policy is also such. What is the fate of the consumers? The hon. Minister might have seen regularly an advertisement on iodised salt by a salt company on the Sun TV also. They ask the Indian consumers to cut down their cup of tea and buy the iodised salt. The purchasing power of the consumers has gone down drastically.

MR. CHAIRMAN: You please put your question.

SHRI V.V. RAGHAVAN: Sir, the issue is not of FDI. The issue is about changing our Exim Policy and the economic policy. The FDI in plantations will further worsen the existing problems in the plantations. When the Unilever comes, it will dominate. What will be the fate of our small plantations and plantation workers? Therefore, allowing the multinationals to invest in plantations will adversely affect the plantations. What arc your views on this?

SHRI MURASOLI MARAN: Sir, the multinationals arc already there. Historically, before Independence and after Independence, the multinationals continue to own tea plantations. His charge is that the Exim Policy has drastically affected the tea industry. It is not correct. For example, the import of tea is a minisculc quantity. In the year 2001-02 (April to Feb) the total import of tea is only 14.94 million kilograms. For 2001 is about 0.80 million kilograms from Sri Lanka. The total import is just above 1 per cent. The total import from Sri Lanka is 0.1 per cent. So, import has caused no problems.

He has mentioned about some advertisement saying a pinch of iodised salt is better than half-a-cup of tea. It has come to our notice. We are taking action against the advertisement.

SHRI PRANAB MUKHERJEE: Sir, while replying to the supplementary, the hon. Minister said that they were considering to have FDI in the plantation sector also. That is why the last sentence of his statement says, "As per the extant policy. FDI is not permitted

in plantations, including tea plantations". The need for FDI is not only for bridging the gap bctwccn the capital required and the capital available to the industry, but also to have a plethora of markets in the international market. One of the advantages that we have, specially, with the Sterling Tea Company, in the plantation area is that they have a very wide network of marketing all over the world. Today, you have not only to produce good quality products, but also to do aggressive marketing campaign so that you can sell your goods.

From that point of view, I would like to know from the hon. Minister: How expeditiously and how quickly arc they going to take this decision of allowing FDI in the plantation sector?

SHRI MURASOLI MARAN: I thank the hon. Member for his suggestion. Sir, the FDI is necessary not only for modernisation but also for replantation and efficient marketing. There is a notion that permitting the FDI in the tea gardens is a new idea. It is not a new idea. Before Independence and after Independence, until 1973, when FERA was introduced, almost all the tea gardens, all over India, were owned and, sometimes, managed by foreigners. Then came the FERA. According to that Act, in the case of those who had less than 40 per cent, it would not apply. If they had 40 per cent to 74 per cent, they should get the permission of the RBI. If it was above 74 per cent, they should bring it down to 74 per cent and divest 26 per cent. Theoretically, the gap is 74 per cent. Already, there arc several foreign companies. Our intention was to allow FDI in the tea plantation sector. Hundred per cent FDI would be allowed subject to the condition that within five years they divest 26 per cent to the Indian shareholders. What we want to do is we want to restore the *status quo ante* of pre-1973. So far as the marketing efforts arc concerned, what the hon. Member has said is very much correct. We have taken consultancy advice. We are doing our best in this matter. We cannot improve without good marketing.

SHRI LAJPAT RAI: I would like to know from the hon. Minister whether permission for FDI has been given in regard to tea plantations or there are any other plantations under consideration. If so, what are those items?

SHRI MURASOLI MARAN: We need a large FDI. For example, our target was 10 billion dollars per year. But we are getting less, not even five billion dollars. Whereas, China gets ten times more FDI than we are getting. This is a continuous process. At present, we want to allow FDI in the tea plantation sector. That proposal has been deferred.

SHRI MANOJ BHATTACHARYA: Sir, my question is two-fold. In case the FDI is allowed indiscriminately in the tea plantation sector, my anxiety is — of course, my anxiety is of no relevance to you — when the MNCs are on the rampage, not only there will be repatriation of money, the country will be in the docks. That is number one. Secondly, my anxiety is that the tea gardens almost all over the country are situated in such places where we have very rich biodiversity. This rich biodiversity of our country has not been recorded well. We do not have any list. We do not know how many species, genera and varieties of plants arc there in our country. If the FDI is allowed in these places, would you ensure that our biodiversity is protected from being exploited by the MNCs? They would get it patented in their own countries. We know you had fought well in Doha. You have fought well for the present regime. Would you be able to protect it? Would you be able to dissuade the MNCs who would come in the garb of the FDI and exploit the biodiversity of our country and get it patented in their own coutries? If it happens, we shall be nowhere because we do not have any record in the UNICES as well. I would like to know whether you will be able to protect the different varieties of tea from being patented elsewhere.

SHRI MURASOLI MARAN: Sir, I share the anxiety of the hon. Member. While allowing the FDI, we would consider the opinion of the Administrative Ministries. We would consult the Ministry of Environment and Forests also. If they say that that is not good for the country, we would not give permission for the FDI. Therefore, it would be taken care of.